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1 August 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA AND DOS REVIEW COMPLETED

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Soviet trade with Western Europe: The value of the trade turnover between the USSR and the Western European countries amounted to well over \$535,000,000 in 1951 as compared with \$325,000,000 in 1950, according to preliminary foreign trade statistics from Western sources.

Much of this increase is due to increases in price rather than volume. For example, the value of British imports of lumber increased from \$29,000,000 to \$35,000,000, while the quantity of lumber imports decreased. The value of imports increased by 20 percent, while volume decreased by more than one third.

Among countries receiving appreciably larger values of Soviet goods in 1951 were the United Kingdom, Finland, Italy, Belgium and France. Most of these countries also reported an increase in the value of their exports to the USSR in 1951 as against 1950.

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2. Bulgarian-West German trade negotiations begun: Negotiations for a new Bulgarian-West German trade protocol began on 23 July. It is anticipated that the agreement will ultimately provide for approximately \$20,000,000 in trade between the two countries.

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Comment: Bulgarian exports to West Germany during the past three years have averaged little more than \$2,000,000 annually. Imports from Germany reached a total of almost \$4,000,000 during 1950, but fell to \$696,000 in 1951. Having failed to meet its trade agreement commitments for essential goods, Bulgaria owed \$1,006,000 to West Germany

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as of 31 March 1952, an amount in excess of the credit margin (swing) stipulated in its trade agreement. The Federal Republic is thus in a favorable negotiating position, and will probably insist upon deliveries of essential commodities in order that the debit balance be reduced.

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SOVIET UNION

3. Pushkin reportedly made Soviet Deputy Foreign Minister for German affairs: East German Foreign Minister Dertinger attaches great importance to the appointment of former Soviet Ambassador to East Germany Pushkin as Deputy Foreign Minister in charge of German affairs, previously the concern of only a minor desk.

Dertinger also sees Pushkin's transfer to Moscow as eliminating the risk of friction between him and Soviet Political Adviser Semenov.

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Comment: It is not confirmed that the German desk in the Soviet Foreign Office has been given increased importance.

While there was no concrete evidence of friction between Pushkin and Semenov, it was generally acknowledged that Semenov, as political adviser, carried more weight than the chief of the diplomatic mission.

4. UN study may give propaganda advantage to USSR: The Secretariat of the UN Economic Commission for Europe is planning a study of the effect on Western Europe's dollar gap of increasing East-West trade to the level proposed at the Moscow Economic Conference. Executive Secretary Myrdal reportedly accepted the suggestion of a Soviet member of the Secretariat, who had recently returned from Moscow, that such a study would facilitate proposed East-West trade talks in September.

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The American delegate, who warns that this project might provide highly useful propaganda material for the USSR, will try to discourage Myrdal.

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5. East German leaders comment on Soviet foreign policy:

According to East German Deputy Prime Minister Nuschke, Soviet officials believe they have given enough proof of their peaceful intentions by not attacking "when the West was weak," but that "now no one could expect the USSR to take it lying down when they are mobilizing against us."

Nuschke does not anticipate a Soviet military action in Europe this year, but expects action elsewhere. Both Nuschke and East German Foreign Minister Dertinger expect East Germany to be completely integrated into the Eastern bloc.

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Comment: Neither Nuschke nor Dertinger is a Communist, and they may be concerned that their positions may be further weakened in the process of Satellization.

EASTERN EUROPE

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6. Sabotage of Bulgarian agricultural effort reported:

According to reports quoted by the official Yugoslav news agency, on 17 and 19 July peasants in two north-central Bulgarian villages set fire to grain destined for delivery to the state. Militia and armed Communists are guarding harvested wheat, especially in the vicinity of Sofia, and non-workers have been forbidden to cross fields.

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Comment: Reports of peasant sabotage and resistance in Bulgaria during 1952 have been relatively few as compared with the large number of such reports received during 1951.

7. Bulgarian-Greek border dispute flares again: Bulgarian and Greek patrols engaged in a series of border clashes on 26 and 27 July following the landing of Bulgarian patrol forces and villagers on an islet in the Evros River along

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the extreme northeast border of Greece. Three Greek gendarmes were killed during the action, following which the Bulgarians "maintained ambush with fire and reinforcements." The Greek Government has called upon the UN Balkan sub-committee to investigate.

The US Military Attaché in Athens expects the Greek reaction to be stronger than that following a similar incident during June. Measures to be taken by Greece will probably reflect the greater sense of security which the country now feels as a member of NATO. [redacted]

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Comment: On 10 June, Bulgaria protested to the UN Secretariat concerning "Greek provocations" against Evros (Maritsa) River islands said to form "an integral part of Bulgaria." According to the Bulgarian note, a herd of oxen was directed into Bulgarian island territory by Greek border guards on 20 May. At the same time, Greek frontier authorities allegedly sent a letter to the Bulgarian border guards in which they threatened to shoot Bulgarian citizens employed on two neighboring islands in the river.

According to a Reuters dispatch from Athens, Bulgaria rejected a United Nations suggestion two years ago that a joint Greek-Bulgarian committee be formed to settle the islet dispute.

8. Polish shipyard workers defy government orders: Workers in the Gdynia and Gdansk shipyards were openly boycotting all orders to increase output and efficiency during the early part of 1952, [redacted]

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25X1C The managements attributed the general dissatisfaction to the steadily deteriorating living conditions and the food shortages. In order to overcome the shortage of labor and to save the production program from complete breakdown, discharged enlisted men from the Polish Navy are being forcibly directed to work in these shipyards. [redacted]

Comment: Since the shipbuilding industry has been under continuous government pressure to increase production which is already at capacity, it is likely that the workers have been irritated at further exhortations to speed up. The standard of living, which remains low especially during this stage of the Six Year Plan, and the scarcity of meats

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and other essential foods would also doubtless contribute to the unrest. The manpower shortage was stressed by President Bierut in his recent speech to Polish Communist leaders, and measures such as the recruitment of women have been initiated to correct the deficiency. It is unlikely, therefore, that discharged servicemen are being directed to essential industries.

9. Yugoslavia "accepts with objection" the Western tripartite economic aid note: Yugoslavia has accepted, "with objections," the joint note announcing the continuation of the British-French-American economic assistance program for 1952-53. Acting Foreign Minister Mates states that his government believes it possible to work out a satisfactory basis for continuing aid.

Privately, the French Ambassador agrees with Ambassador Allen that Belgrade would probably reject further economic aid rather than accept conditions which it felt infringed Yugoslav sovereignty. The British Ambassador, however, doubts that Yugoslavia would reject economic aid. [redacted]

Comment: Yugoslav officials object particularly to outside supervision of Yugoslav financial policy and to criticism of the long-term capital investment program.

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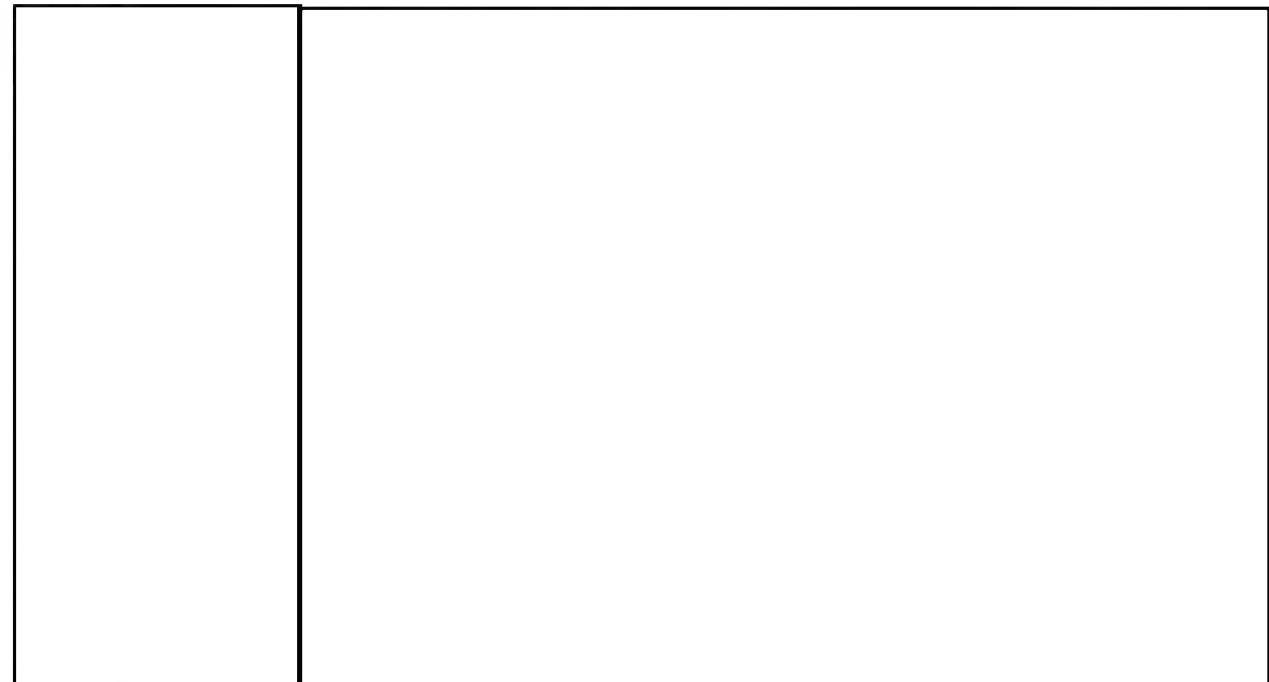
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FAR EAST

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11.

Macao official concerned over border clashes with Chinese Communists: Food shipments to Macao from China have stopped completely since 26 July following the border clashes between the Chinese Communist and Portuguese troops, according to P. J. Lobo, Director of the Economic Bureau in Macao. Rice stocks, he said, are extremely low and the price of beef skyrocketed 400 percent on 29 July.

Director Lobo was irritated with the Portuguese military police, whose "trigger-happy" attitude, he feared, might lead to further clashes.

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Comment: Director Lobo's statement contradicts earlier press reports that a trickle of foodstuffs across the Macao-China border had been resumed.

The Chinese Communists inaugurated stricter controls on food exports to Macao in mid-June and thereby underscored the threat of a complete embargo. Macao is almost wholly dependent on China for its foodstuffs, and by halting food shipments, the Communists could starve this Portuguese colony.

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NEAR EAST - AFRICA

12.

National Front attempts to reduce power of Iranian Army: The National Front reportedly plans to purge the Iranian civil service and the armed forces, and already nationalists in the Majlis are calling for a reorganization of the security forces. The American Embassy reports that both the National Front and the Tudeh are trying to destroy the solidarity of the armed forces by creating jealousy and suspicion between junior and senior officers, as well as between junior officers and American advisers.

Although the army morale in the provinces is still high, the Embassy believes that demoralization created by National Front tactics will spread to the provinces. [redacted]

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13.

West Jordan deputies plan ultimatum to Prime Minister:

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[redacted] 15 of the 20 parliamentary deputies from West Jordan, Arab Palestine, met secretly in Nablus on 26 July and formed an opposition bloc to present demands to the Jordanian Prime Minister that the influence of Palestinian Arabs in the Jordanian Government be increased and the interests of Arab refugees be protected. The meeting reportedly was inspired by recent events in Egypt.

If the demands are not satisfied within 15 days, the group will attempt to compel the resignation of the Jordanian Cabinet or "assist the people in the use of force." [redacted]

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Comment: There is no indication whether this group is Communist-inspired. Although there has been no serious disturbance recently in West Jordan, the Palestinian Arabs have been discontented with the Jordanian Government. Previous reports have indicated some Communist activity in the Nablus district.

14.

Egyptian coup generates new tension in Lebanon: Events in Egypt have stimulated political tensions in Lebanon, according to American Minister Minor in Beirut. Opposition elements have asked Minor to give American financial support to a coup to overthrow President Khouri's regime. The British and French legations have been similarly approached.

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Minor believes that despite widespread dissatisfaction, a coup at the present time would have only limited chance of success because of the lack of political ties among the opposition leaders. [redacted]

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Comment: Previous reports have indicated considerable discontent with the corruption and nepotism of the Khouri regime.

A political crisis precipitated in June by anti-Khoury forces was defeated by failure of the opposition to unite.

15. New army leadership in Egypt reportedly plans military dictatorship: The inner circle of 18 officers around General Nagib hopes to establish a military dictatorship, [redacted]

25X1C [redacted] Nagib's confidants are planning to set up committees of civil experts to advise military headquarters on politics, press relations, and economic matters. 25X1C

25X1C [redacted] Nagib defers to decisions of the inner circle. [redacted] there will be a minimum of interference in civil affairs for some days while the army is preoccupied with internal reorganization. 25X1C

25X1C [redacted] trouble may occur among Nagib's advisers over the distribution of the military posts. 25X1C 25X1

Comment: There have been previous reports that Nagib is merely the spokesman for an army clique. He has publicly stated his intent to support civilian government.

16. South Africa raises doubt of meeting minimum American manganese requirement: Two new developments have occurred since the South African statement of June in which officials said they would consider exporting to the United States the minimum American requirement of 500,000 tons of manganese per year. There was, however, no assurance of continuing the rate after 1953.

Now South Africa doubts that such a rate of export can be achieved even for 1953 because Great Britain has indicated it needed more manganese than last year and is considering sending a commission to South Africa to look into the matter. The local Railway Administration officials have expressed doubts, moreover, that the railways have the capacity to transport 500,000 tons this year. [redacted] 25X1

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Comment: For the past six months South Africa has indicated several difficulties in exporting such a quantity of manganese vitally needed in the steel industry of the United States. These difficulties are the local desire to conserve resources, the railway congestion caused by the higher priority coal shipments, and the increased British requirements. Present exports to the United States from January through May 1952 showed 77,700 tons, or an average monthly rate of 15,500 tons, compared to an average monthly rate of 26,000 tons in 1951, when only 312,000 tons were exported to the United States.

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WESTERN EUROPE

17. French action in West Berlin may provoke additional Soviet encroachment: American officials fear that the withdrawal of West German police from the disputed Gesundbrunnen elevated railroad station in Berlin on the orders of French officials may serve to encourage further Soviet harassment, since Soviet authorities may interpret the move as a sign of Allied weakness.

According to a high French official, the orders were issued because of East German threats to interrupt elevated train service between the east and west sectors of the city unless the police were removed from the station. It is more important, the ^{25X1} French official states, to preserve the elevated service than to stop the removal of technical equipment by the East Germans.

Comment: The Gesundbrunnen railroad station is near the French-Soviet intersector border. Soviet authorities maintain that part of it lies within their sector. The French action to withdraw the West German police was taken after East German workers began taking equipment from the station roundhouse on 28 July and a fist fight developed between East and West Berlin police.

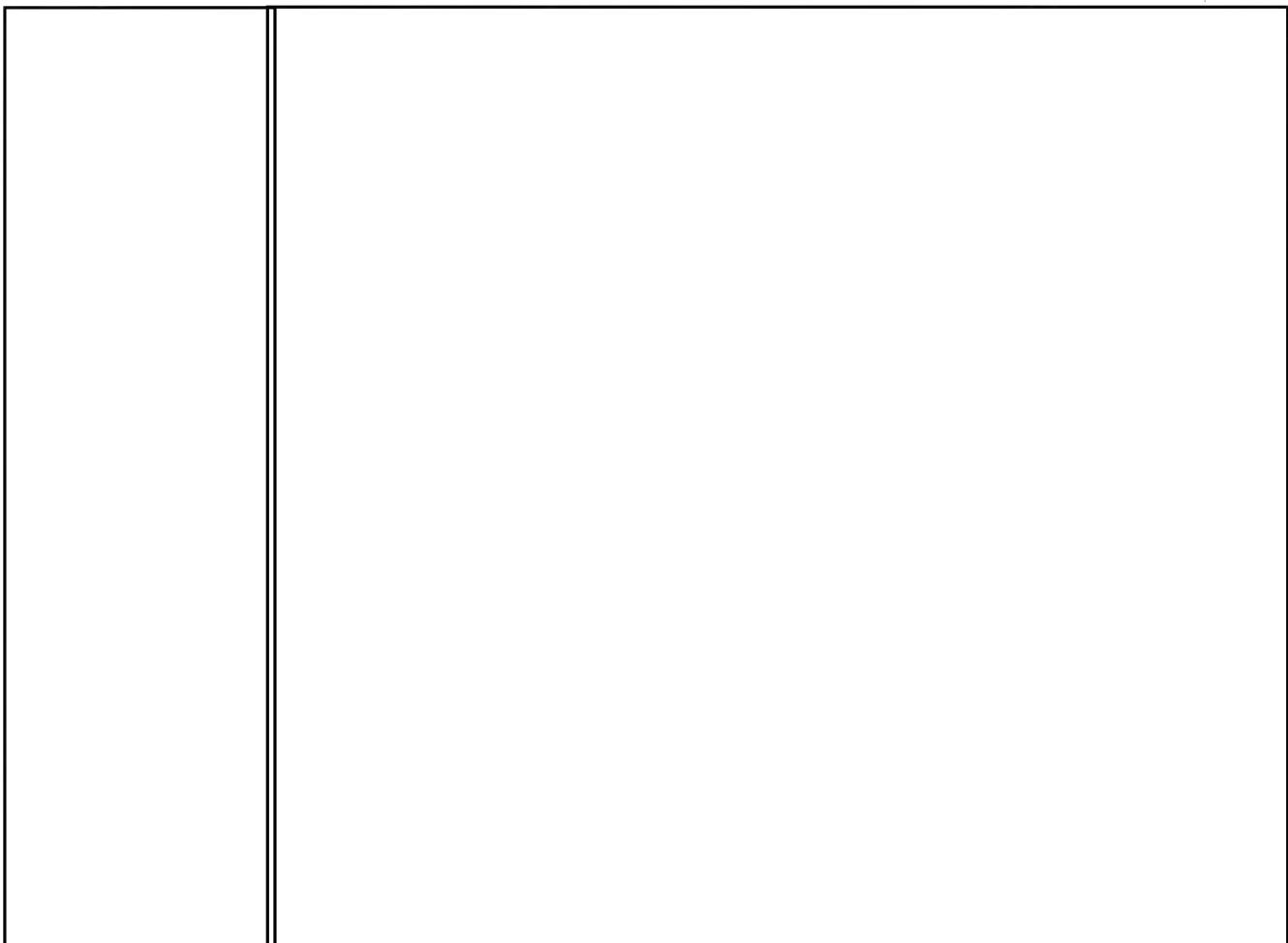
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20.

French Communists implement broad program for popular support: Evidence is growing that French Communist leaders are attempting to reduce the notable gap between party policy and its implementation by the reluctant low-level leaders of the party and the General Labor Confederation. The American Embassy in Paris surmises that the Communists' continued electoral strength represents popular support of the local leadership, which resists the party's excessively political and violent directives. A "Popular Front from below" is being ostentatiously promoted by the party and its front organizations in an effort to restore the confidence of local militants in party leadership. 25X1

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Comment: In mid-June the party's Central Committee emphasized its tactical retreat by adopting a resolution calling for the satisfaction of labor's economic demands as well as the broadest possible mass participation in united action.

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Non-Communist labor leaders in France have long recognized the CGT's potential for organizing all French labor on a purely trade-union basis. While tacit labor support for the Pinay program eliminates the chance for successful exploitation before fall, a real threat to the Western defense effort would develop if the CGT concentrated on economic objectives.

LATIN AMERICA

21. Argentina reportedly halts foreign exchange transactions: Because of the country's critical foreign exchange situation, the Argentine Government has reportedly drafted a decree temporarily suspending all import licenses and halting all foreign exchange transactions. While the decree has not been formally promulgated, foreign business houses in Buenos Aires are said to have been advised of it and directed to observe it. By 24 July Argentine dollar reserves were reportedly down to less than one million dollars. [redacted]

Comment: Argentine foreign exchange reserves have dropped sharply during 1952, as imports have considerably exceeded exports. No other indication of the current level of Argentine dollar balances is available, [redacted] indicate that the country's sterling balances, which fell to 3 million pounds at the end of June, may now be practically exhausted. 25X1

Argentina's financial distress has also been reflected in a significant, though not critical, increase in bankruptcies and unemployment.

22. Chilean President reportedly trying to uncover evidence of Argentine interference in election campaign: President Gonzalez Videla reportedly has ordered the Servicio de Investigaciones to concentrate its efforts on uncovering evidence of Argentine intervention in Chilean affairs, particularly Argentine support of presidential aspirant Ibanez del Campo. Any such evidence will be used in a propaganda campaign against Ibanez, whom Gonzalez Videla now believes to be the strongest contender for the Chilean presidency. [redacted]

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Comment: It appears likely that Ibanez has been receiving support from Argentina, but there has been little definite information to indicate the nature and extent of such support.

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Last month, however, the Chilean Government declared the Argentine Consul at Antofagasta persona non grata for distributing anti-US and pro-Ibanez propaganda. Also, the government announced that it had confiscated anti-Chilean literature favoring Ibanez which had been sent into Santiago by the Argentine Foreign Office. This information, undoubtedly publicized as part of the campaign against Ibanez, probably constitutes the most positive evidence thus far of direct Argentine efforts to influence election results in Chile.

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[REDACTED] 1 August 1952

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TOP SECRET SUPPLEMENT

TO THE CURRENT INTELLIGENCE DIGEST

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FAR EAST

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WESTERN EUROPE

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According to [redacted] East German security measures provoke local resistance: [redacted] of the more than 10,000 persons scheduled for resettlement from border areas, 8,000 had been evicted by 20 June. Over 4,000, including many not actually slated for resettlement, had fled the country.

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American officials in Germany believe that these figures probably do not cover developments along the Baltic coast. They interpret the high percentage of refugees from Thuringia as indicative of the extent of the discontent there. [redacted]

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[redacted] the Evangelical Bishop of Thuringia has violently protested the eviction measures and has called upon the church organization to help the victims of the "emergency." [redacted]

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TOP SECRET

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Comment: A strong undercurrent of predominantly passive resistance is suggested by the number of refugees and the elaborate Communist propaganda treatment given East Germany's "democratization." Such resistance could compel the East German Government to modify, although not abandon its timetable.

3. Paris Embassy comments on Salan's appeal for transport aircraft: Ambassador Dunn in Paris considers it unwise to approach the French Government in support of the prospective request of General Salan for transport aircraft necessary for offensive operations in Indochina late this year. The Ambassador believes that such an approach by the United States would immediately cause the French to bring up the American rejection of transport aircraft as an item in Defense Minister Pleven's May request for additional offshore procurement orders.

As an alternative, the Ambassador suggests further exploration of the possibility of supplying American transport aircraft to meet Salan's needs. [redacted]

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Comment: Ambassador Heath in Saigon has emphasized the necessity for taking the initiative away from the Viet Minh by overcoming the apparent complacency of the French Government over the holding operation in Indochina.

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